

U.S. Department of Education

**Staff Report
to the
Senior Department Official
on
Recognition Compliance Issues**

RECOMMENDATION PAGE

1. **Agency:** National Accrediting Commission of Career Arts and Sciences (1970/2006)

(The dates provided are the date of initial listing as a recognized agency and the date of the agency's last grant of recognition.)

2. **Action Item:** Compliance Report

3. **Current Scope of Recognition:** Scope of Recognition: The accreditation throughout the United States of postsecondary schools and departments of cosmetology arts and sciences and massage therapy.

4. **Requested Scope of Recognition:** Same as above.

5. **Date of Advisory Committee Meeting:** June, 2012

6. **Staff Recommendation:** Accept the agency's compliance report and renew the agency's recognition for 4 years.

7. **Issues or Problems:** None.

EXECUTIVE SUMMARY

PART I: GENERAL INFORMATION ABOUT THE AGENCY

NACCAS is a national accreditor whose scope of recognition is for the accreditation throughout the United States of postsecondary schools and departments of cosmetology arts and sciences and massage therapy. The agency accredits approximately 1,300 institutions offering programs in the cosmetology arts and sciences and/or massage therapy. Over 70% of the schools that are accredited by NACCAS use the agency's accreditation to establish eligibility participate in the Department's Title IV Federal Student Aid programs.

Recognition History

The Secretary first recognized the National Accrediting Commission of Cosmetology Arts and Sciences (NACCAS) in 1970 for its accreditation of private cosmetology schools.

A full review of the agency took place at the June 2008 meeting of the National Advisory Committee on Institutional Quality and Integrity (NACIQI), at which time the ED staff and NACIQI recommended continued recognition for a period of five years. The Secretary had not made a final decision prior to passage of the Higher Education Opportunity Act, which contained a number of provisions related to accrediting agency recognition that were effective upon enactment. Subsequently, new regulations were developed, effective July 1, 2010. As a consequence, the agency was required to submit an updated petition for review by staff and NACIQI.

The updated petition was reviewed at the NACIQI's December 2011 meeting. The NACIQI and Department staff each recommended to continue the agency's recognition and require that the agency submit a compliance report within 12 months demonstrating its compliance with the issues identified in the staff report and subsequently in the Assistant Secretary's February 2011 letter. The agency's compliance report is the subject of this analysis.

PART II: SUMMARY OF FINDINGS

§602.19 Monitoring and reevaluation of accredited institutions and programs.

(b) The agency must demonstrate it has, and effectively applies, a set of monitoring and evaluation approaches that enables the agency to identify problems with an institution's or program's continued compliance with agency standards and that takes into account institutional or program strengths and stability. These approaches must include periodic reports, and collection and analysis of key data and indicators, identified by the agency, including, but not limited to, fiscal information and measures of student achievement, consistent with the provisions of §602.16(f). This provision does not require institutions or programs to provide annual reports on each specific accreditation criterion.

The Fall 2010 staff analysis requested that the agency provide additional information regarding key indicators (aside from financial and student outcomes information) it collects in its annual reports, and demonstrate how it evaluates this information to determine an institution's continued compliance with agency standards.

In response to the finding, the agency adopted new processes for gathering additional compliance data as part of institutions' required annual reports. As of the November 2011 annual report, the agency is requiring its institutions to respond to a series of additional compliance-related questions. The agency provided a list of seven questions, as well as the agency's rationale (in terms of its standards) for asking them. The questions all require yes/no answers, amounting to self-certification of compliance by the institution, and most do not appear to lend themselves to the establishment of agency benchmarks to demonstrate compliance with the standards. According to the narrative, the agency will ask three of the questions on an annual basis, whereas the remaining questions will be asked periodically. It is not clear to ED staff why some questions merit annual responses, whereas others do not; nor is it clear how often the remaining questions will be asked. More information is needed regarding the selection of the questions.

The seven questions pertain to:

- state licensure
- continuity of operations
- notification of substantive and non-substantive changes
- advisory committee meetings
- instructors' credentials
- provision of catalogs to applicant students
- institutional signage

The agency also provided information on a six-step review process that it will use to evaluate its institutions' responses to the new questions in their annual reports. Any area of noncompliance will reportedly trigger a review by the agency's File Review Committee (FRC), which meets on a monthly basis. The agency indicates that in 2012 it will institute a verification process of a sample of its accredited institutions' responses to the compliance questions, which helps to address shortcomings of a self-certification process for compliance.

The agency provided examples of letters to several institutions requesting additional information in follow-up to the new question pertaining to a lapse of state licensure. However, the agency did not provide any documentation regarding institutional responses, nor documentation regarding any subsequent FRC or commission actions that were taken as a result of the institutions having been identified as being in non-compliance. ED staff notes that it is likely that the agency's commission has not yet had time to take any actions in this regard. However, institutional responses and actions of the FRC, which meets monthly, should be available. Documentation is needed in order for the agency to demonstrate that it is applying the monitoring process it outlined in its narrative.

Staff determination: The agency does not meet the requirements of this section. The agency must provide evidence of the effective application of its mechanisms for monitoring the institutions it accredits.

Analyst Remarks to Response:

In its draft analysis, ED staff identified three key areas of concern regarding the agency's report under 602.19(b). The concerns were related to: 1) the agency's selection of questions for its annual reports; 2) the agency's use of yes/no questions and programs' possible self-certification of compliance; and 3) the availability of documentation regarding the agency's new question related to state licensure. The agency responded by providing additional information and documentation related to the requirements of this section.

Selection of questions:

The agency responds that the selection of questions to be addressed in annual reports will be based upon several criteria, including: the ability of the agency to ask clear questions that will not result in a misunderstanding of the questions; tailoring the selection of questions to compliance problems identified during the agency's most recent on-site visits; the agency's Certification of Annual Report Data (CARD) process; and the potential for a question to uncover non-compliance in more than one area of the agency's requirements. The agency states that the selection of questions will be an ongoing process that will be enhanced as its implementation is studied and refined, based upon the identification of compliance trends within the agency's schools. ED staff accepts the agency's rationale for choosing the questions to be included in its annual reports, particularly the agency's assertion that choices will be based upon problems identified during the course of recent on-site reviews and programs/institutions randomly chosen as a result of the agency's CARD process.

Self-certification of compliance:

The agency has addressed staff concerns regarding the agency's use of yes/no questions that would allow the possibility of programs/institutions to essentially "self-certify" their answers by noting the extent of its ongoing program of full-team on-site evaluation visits to its programs/institutions. The agency states that approximately 74% of its accredited main campuses have been or will be visited within the three-year time period of its November 2011 report to the Department. The agency anticipates that comparable percentages will be reviewed on a rolling three-year basis, with programs/institutions identified as a result of its annual report data review process, as well as its regularly scheduled on-site review requirements. The agency provided information regarding the number of schools that have been or will be subject to rolling on-site reviews, showing that nearly three-fourths of the agency's campuses will have been subject to on-site verification of the information submitted in their annual reports within a three-year period.

The agency submitted documentation showing the numbers/percentages of institutions eligible for the CARD process, a random number selection generator for choosing institutions to be reviewed under the CARD process, a spreadsheet for tracking institutions participating in the CARD process, and a spreadsheet tracking the status of institutions with identified compliance issues. ED staff accepts the agency's assertion that it will be conducting on-site reviews of a substantial number of its accredited campuses and that this will serve as agency verification that the institutions are correctly reporting the compliance information that the agency is requesting in its annual reports.

Additional documentation:

At the time of the draft staff analysis, the agency had not yet had time to take action regarding institutions that had been found non-compliant regarding a new question that the agency was asking pertaining to a lapse of state licensure. At the time of its original report, the agency had identified three schools that appeared to be non-compliant. In its response to the draft staff analysis, the agency provided information regarding actions it had taken regarding those three original schools, as well as four additional schools, and also documentation for two schools participating in the CARD process.

The exhibits related to the seven institutions included information regarding the annual report information, letters to the institutions requesting additional information, commission agendas, notes, recommendations, and minutes, and follow-up letters to the institutions informing them of the commission's actions. Of the seven institutions, two were put on show-cause, one was granted a 90-day extension, and four had their information accepted with no further action necessary. ED staff accepts the agency's documentation as demonstration that it is applying the monitoring process that it described in its original report.

The exhibits related to the two additional institutions participating in the CARD review process included letters notifying the institutions that they had been selected for the CARD process and the institution's response, agency analysis

of the institution's CARD submission, information prepared by agency staff for the commission's review, institutional documentation, commission agendas, notes, recommendations, and minutes, and follow-up letters to the institutions informing them of the commission's actions. As a result of the CARD review, one institution was placed on show-cause, and one institution's materials were accepted with no further action necessary.

ED staff accepts the agency's response to this section, and no additional information or documentation is needed at this time.

§602.20 Enforcement of standards

(a) If the agency's review of an institution or program under any standard indicates that the institution or program is not in compliance with that standard, the agency must--

(1) Immediately initiate adverse action against the institution or program; or

(2) Require the institution or program to take appropriate action to bring itself into compliance with the agency's standards within a time period that must not exceed--

(i) Twelve months, if the program, or the longest program offered by the institution, is less than one year in length;

(ii) Eighteen months, if the program, or the longest program offered by the institution, is at least one year, but less than two years, in length; or

(iii) Two years, if the program, or the longest program offered by the institution, is at least two years in length.

The Fall 2010 staff analysis found that there was a time lag between when an institution was identified as not having met the agency's outcomes thresholds (as a result of the data being submitted in its annual report) and when the institution was officially notified of this deficiency by the agency. This caused confusion as to when the clock began for the institution to either bring itself into compliance or face adverse actions. As a result of this lack of specificity, it appeared possible that timely actions might not be taken within the 12-18-24 month timeframe specified in this section, particularly for institutions subject to the shorter limits.

In response to the finding, commission minutes from August 2011 indicate that the agency revised its rules to clarify that the time clock for an institution to bring itself into compliance begins on the date that the agency's annual report system identifies any outcomes deficiencies and automatically notifies an institution that it has not met the specified thresholds as of the date of the submission. However, the agency's revised rules, effective January 2012 (Exhibit 4C, Section 8.18(a), p. 49), instead indicate that the time limits begin on the date of

the first commission decision letter. This seems to contradict the information provided via the August 2011 minutes that indicates the time limits would begin on the date that the agency's annual report system automatically identified the issue. Clarification and documentation are needed as to the agency's rules in this regard.

Staff determination: The agency does not meet the requirements of this section. The agency must provide clarification and documentation regarding its rules specifying the date upon which the 12-18-24 month time limits are imposed upon schools that fail to meet its outcomes thresholds.

Analyst Remarks to Response:

In response to concerns raised in the draft staff analysis, the agency amended its Rules of Practice and Procedure to clarify that the clock on the agency's 12 month/18 month/2 year enforcement timelines will begin on the date of the first official written notification by the Commission to the institution, and that electronic notification by the Commission is specifically included as part of the notification process.

The agency provided Commission minutes showing that the necessary revision was addressed and accepted by the Commission, as well as an excerpt from its handbook showing that the revision has been published.

This addresses the staff concern raised in the draft analysis, and no further action is required of the agency.

(b) If the institution or program does not bring itself into compliance within the specified period, the agency must take immediate adverse action unless the agency, for good cause, extends the period for achieving compliance.

The Fall 2010 staff analysis identified a finding under this section as a corollary to the finding in the previous section. In 602.20(a), it was not clear when institutions were being officially identified as having not met the agency's outcomes thresholds. As a result of that finding, related to when the 12-18-24 month time limits for compliance or adverse actions were commencing, it was also unclear whether the agency was enforcing the specified time limits in a consistent manner as required under 602. 20(b).

Subsequent to the Fall 2010 NACIQI meeting, agency representatives met with ED staff to discuss the findings noted in the staff analysis, as well as possible ways that the agency could demonstrate its compliance with the sections that had been identified in the report. At that time, the suggestion was made that the agency submit documentation for this section regarding institutions that it had identified for non-compliance, as well as regarding how it was tracking and

enforcing the appropriate enforcement timelines for those institutions.

In response to the staff analysis and the subsequent meeting with ED staff, the agency has provided detailed documentation regarding institutions that have been monitored for a variety of reasons, in addition to the institutions that were identified as not meeting the agency's outcomes thresholds. The information provided clearly shows that the institutions were tracked appropriately and that some institutions brought themselves into compliance within the specified timeframes, whereas others were subject to adverse actions when they were unable to address their compliance issues in a timely manner.

The agency also provided information relative to one institution in which the time limit for taking adverse action was exceeded for good cause in order for the agency to investigate suspect data that had been provided by the institution. The institution was unable to support the information that it had provided and subsequently had its accreditation withdrawn by the agency. ED staff agrees that this was a justifiable use of the good cause extension.

PART III: THIRD PARTY COMMENTS

The Department did not receive any written third-party comments regarding this agency.